

REPORT

ALTERNATIVES LIVING, INC.

JUNE 30, 2011

ALTERNATIVES LIVING, INC.

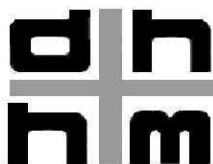
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INDEPENDENT AUDITOR'S REPORT

April 30, 2013

To the Board of Directors
Alternatives Living, Inc.
New Orleans, Louisiana

We have audited the accompanying statement of financial position of Alternatives Living, Inc. (a Louisiana nonprofit organization) as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Alternatives Living, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2013, on our consideration of Alternatives Living, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Duplantier, Hrapmann, Hogan & Maher, LLP

ALTERNATIVES LIVING, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

ASSETS

	<u>2011</u>
CURRENT ASSETS:	
Cash and cash equivalents (Notes 1 and 2)	\$ 161,458
Accounts receivable	264,035
Certificate of deposit (Notes 1 and 2)	35,399
Due from officer	33,769
Due from employees	1,713
Total current assets	<u>496,374</u>
PROPERTY AND EQUIPMENT: (Notes 1 and 3)	
Property and equipment, net of accumulated depreciation of \$50,407	<u>576,981</u>
Total property and equipment	<u>576,981</u>
OTHER ASSETS: (Note 3)	
Loan fees, net of accumulated amortization of \$3,849	<u>6,201</u>
Total other assets	<u>6,201</u>
 TOTAL ASSETS	 <u>\$ 1,079,556</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Credit card payable	\$ 12,585
Garnishment payable	2,302
Payroll liabilities	484,157
Accrued penalties and interest on payroll liabilities	179,086
Lines of credit (Note 9)	70,540
Mortgage payable - current portion (Note 5)	31,340
Total current liabilities	<u>780,010</u>
LONG TERM LIABILITIES:	
Mortgage payable (Note 5)	260,085
Loan payable - officer (Note 8)	39,375
Total long term liabilities	<u>299,460</u>
Total liabilities	<u>1,079,470</u>
NET ASSETS:	
Unrestricted	<u>86</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,079,556</u>

See accompanying notes.

ALTERNATIVES LIVING, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	<u>2011</u>
UNRESTRICTED NET ASSETS	
REVENUE AND SUPPORT: (Note 1)	
Housing Plus grant (Note 4)	\$ 1,866,928
Contract revenue - social services (Note 4)	436,956
New Opportunity Waiver grant (Note 4)	331,650
Supervised Independent Living grant	5,686
Miscellaneous income	23,306
Interest income	254
Rental income (Note 4)	<u>27,258</u>
Total unrestricted revenue and support	<u>2,692,038</u>
Expenses: (Page 5)	
Program services:	
Housing assistance and homeless prevention	2,348,079
Supporting services:	
Management and general	<u>426,168</u>
Total expenses	<u>2,774,247</u>
Change in net assets	<u>(82,209)</u>
NET ASSETS - beginning of year, as previously reported	126,986
Prior period adjustment (Note 12)	(44,691)
NET ASSETS - beginning of year, as restated	<u>82,295</u>
NET ASSETS - end of year	<u><u>\$ 86</u></u>

See accompanying notes.

ALTERNATIVES LIVING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	Program Services	Management and General	Total
Salaries	\$ 1,694,239	\$ 89,170	\$ 1,783,409
Payroll taxes	140,388	7,389	147,777
Total salaries and related expenses	<u>1,834,627</u>	<u>96,559</u>	<u>1,931,186</u>
Accounting	20,220	1,064	21,284
Advertising	-	437	437
Automobile lease	-	9,094	9,094
Bank charges	-	8,212	8,212
Computer supplies	905	8,142	9,047
Contract labor	-	1,930	1,930
Contributions	-	250	250
CPR training & supplies	198	-	198
Dues and subscriptions	-	3,423	3,423
Entertainment	-	4,649	4,649
Equipment rental	-	3,729	3,729
Housing assistance - rent and utilities	232,275	-	232,275
Insurance - auto	-	1,158	1,158
Insurance - health	26,812	4,731	31,543
Insurance - liability	4,200	467	4,667
Insurance - life	-	2,579	2,579
Insurance - property	8,256	-	8,256
Insurance - workers compensation	20,407	-	20,407
Interest	-	39,502	39,502
Licenses and permits	316	475	791
Meals	3,060	3,060	6,120
Miscellaneous	7,674	861	8,536
Office supplies	13,111	690	13,801
Penalties	-	172,370	172,370
Postage	-	71	71
Printing and reproduction	2,597	289	2,885
Professional fees	2,454	-	2,454
Property taxes	-	6,047	6,047
Rent	348	61	409
Repairs and maintenance	-	36,367	36,367
Supplies-other	32,812	1,727	34,539
Telephone	62,416	6,935	69,351
Training/seminars	-	3,224	3,224
Travel	39,874	4,119	43,993
Utilities	9,882	1,098	10,980
Total expenses before depreciation and amortization	<u>2,322,444</u>	<u>423,320</u>	<u>2,745,764</u>
Depreciation and amortization	<u>25,635</u>	<u>2,848</u>	<u>28,483</u>
TOTAL EXPENSES	<u>\$ 2,348,079</u>	<u>\$ 426,168</u>	<u>\$ 2,774,247</u>

See accompanying notes.

ALTERNATIVES LIVING, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (82,209)
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation and amortization	28,483
Interest earned on and reinvested in certificate of deposit	(254)
Decrease in accounts receivable	13,965
Increase in due from employees	(100)
Increase in due from officer	(22,480)
Increase in payroll liabilities	120,356
Decrease in garnishment payable	(946)
Increase in accrued interest and penalties	179,086
Decrease in credit card payable	(18,630)
Net cash provided by operating activities	<u>217,271</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(4,178)
Net cash used by investing activities	<u>(4,178)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments on mortgage	(28,766)
Loans from officer	25,000
Payments on loan from officer	(36,000)
Proceeds from line of credit	83,007
Payments on line of credit	(92,056)
Net cash used by financing activities	<u>(48,815)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	164,278
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>(2,820)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u><u>161,458</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Interest paid	\$ <u><u>28,032</u></u>
Income taxes paid	\$ <u><u>-</u></u>
NONCASH INVESTING ACTIVITIES:	
Interest earned on and reinvested in certificate of deposit	\$ <u><u>254</u></u>

See accompanying notes.

ALTERNATIVES LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

ORGANIZATIONAL PURPOSE

Alternatives Living, Inc. (the Corporation) is a Louisiana nonprofit corporation organized to give individuals an opportunity to become independent, productive, self-sufficient, contributing members of society within a community in both Louisiana and throughout the United States of America as permitted by law. Alternatives Living's primary sources of revenue are grants from the U.S. Department of Housing and Urban Development.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of the accompanying financial statements are as follows:

Basis of Presentation:

Financial statements of the Corporation have been prepared utilizing the accrual basis of accounting. Under that basis of accounting, revenues are recognized when earned, and expenses are recognized when incurred.

Financial statement presentation follows the provisions of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958, *Financial Statements of Not-For-Profit Organizations*. FASB ASC 958 established the standards for external financial reporting for not-for-profit organizations, which includes a statement of financial position, a statement of activities, a statement of functional expenses and a statement of cash flows. It requires the classification of resources into three classes of net assets based on the absence or existence of donor-imposed restrictions. These three classifications are defined as follows:

Unrestricted Net Assets – Net assets which are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets which are subject to donor-imposed restrictions that may or will be met by the action of the Corporation and/or the passage of time.

Permanently Restricted Net Assets – Net assets which are subject to donor-imposed restrictions that are required to be maintained by the Corporation. Generally, the donors of these assets permit the Corporation to use all or part of the income earned on any related investments for general or specific purposes.

The statement of activities presents expenses of the Corporation's operations functionally between program services and administration activities based on specific identification. Indirect expenses have been allocated based on estimates by management.

ALTERNATIVES LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Taxes:

Alternatives Living, Inc. is exempt from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the financial statements.

Property and Equipment:

Property and equipment are stated at cost which includes acquisition price and rehabilitation expenditures. Depreciation is determined using the straight-line method and is intended to allocate the cost of the assets over their estimated useful lives. The Corporation capitalizes long-lived asset purchases over \$1,000.

Receivables:

The Corporation considers accounts receivable to be fully collectible since the balance primarily consists of payments due under government contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

Functional Expenses:

The expenses of providing the programs and other activities have been summarized on a functional basis between program and supporting services in the statement of functional expenses. Certain of those expenses have been allocated among the program and supporting services benefited based on estimates by management of the costs involved.

Advertising Costs:

Advertising costs are expensed as incurred and totaled \$437 for the year ended June 30, 2011.

Cash and Cash Equivalents:

For the purposes of the statement of cash flows, Alternatives Living, Inc. considers cash and cash equivalents as petty cash, cash in banks, savings accounts and certificates of deposit with original maturities of three months or less.

ALTERNATIVES LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

2. CASH AND CASH EQUIVALENTS AND CERTIFICATE OF DEPOSIT:

At June 30, 2011, the Corporation has cash on hand and also cash balances, savings accounts and a certificate of deposit in several local banks. The book balances and bank balances were as follows:

	<u>Book Balances</u>	<u>Bank Balances</u>
Cash - checking	\$ 161,457	\$ 171,459
Savings account	1	1
Certificate of deposit	<u>35,399</u>	<u>35,399</u>
Total cash and cash equivalents and certificates of deposit	<u>\$ 196,857</u>	<u>\$ 206,859</u>

The Corporation has one certificate of deposit, with an interest rate of 0.55% and a maturity date of July 24, 2011. This certificate was renewed in July 2011, with the new maturity date being July 23, 2012. This certificate is pledged as collateral for the Corporation's line of credit (see footnote 9).

3. PROPERTY, EQUIPMENT AND LOAN FEES:

Property, equipment and loan fees at June 30, 2011 consisted of the following:

	<u>2011 Cost</u>
Land	\$ 45,000
Rent houses	205,000
Office building	350,997
Furniture, fixtures, and equipment	26,392
Loan fees	<u>10,049</u>
Total	637,438
Less: accumulated depreciation and amortization	<u>(54,256)</u>
Net book value	<u>\$ 583,182</u>

Depreciation expense was \$27,478 and amortization expense was \$1,005 for the year ended June 30, 2011. Estimated amortization expense is \$1,005 for each of the next two fiscal years and \$942 for the years 2014-2018.

ALTERNATIVES LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

4. CONTRACT REVENUE:

The Corporation manages two units of Transitional Housing at Southeast Louisiana Hospital (Wren-Way) and one Permanent Housing Group Home (Hummingbird) at Southeast Louisiana Hospital, providing staff twenty four hours per day, seven days per week, for the supervision and training of residents to prepare residents for more independent living/optimal level of functioning. Alternatives Living, Inc. is reimbursed for these expenses according to the contracts entered into for each facility. Each tenant is also required to pay monthly rent, which is recorded as rental income in the financial statements. The receivable related to this program as of June 30, 2011 was \$21,796.

The Company also operates under the New Opportunity Waiver (NOW) agreement, under which the Corporation provides day and night companions for its clients in New Orleans. Alternatives Living, Inc. provides the labor services, and then is reimbursed based on the hours worked with Medicaid reimbursements, which are from the Louisiana Medical Assistance Program. Revenue under this program is recorded as accrued. Receivables for these activities represent amounts owed for the services provided. The payments are received by a wire transfer from the Louisiana State Employment Payment System into a bank account of Alternatives Living, Inc. The receivable related to this program as of June 30, 2011 was \$12,022.

The Company also operates under the Community Development Block Grant Housing Plus program, under which the Corporation provides housing support services to tenants accepted into the Region 1, State of Louisiana, Permanent Supportive Housing Program. Services provided are community-based, individualized, and determined via individual assessments and development of an individualized housing support plan. Revenue under this program is recorded as accrued. The receivable related to this program as of June 30, 2011 was \$211,526.

5. MORTGAGE PAYABLE:

As of June 30, 2011, Alternatives Living, Inc. has a mortgage note for the purpose of purchasing land with an original face value of \$48,000 from First NBC Bank. The mortgage bears interest at 8% and matures on January 15, 2014. Monthly payments on the loan are \$585. During the year ended June 30, 2011, payments on the mortgage were \$5,260 and interest payments were \$2,644. As of June 30, 2011, the principal balance outstanding on the mortgage was \$18,846. This note is collateralized by the land.

As of June 30, 2011, Alternatives Living, Inc. has a mortgage note with an original face value of \$143,500 from Capital One Bank for the purpose of purchasing rental houses. The mortgage bears interest at 7.953% and matures on November 1, 2022. Monthly payments on the mortgage are \$1,381. During the year ended June 30, 2011, payments on the mortgage were \$6,429 and interest payments were \$10,241. As of June 30, 2011, the principal balance outstanding on the mortgage was \$122,197. This note is collateralized by the property at 714-716 South Gayoso Street.

ALTERNATIVES LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

5. MORTGAGE PAYABLE: (Continued):

As of June 30, 2011, Alternatives Living, Inc. has a mortgage note for the purchase of the office building. The mortgage bears interest at 8% and matures on December 5, 2014. Monthly payments on the loan are \$2,488. During the year ended June 30, 2011, principal payments on the mortgage were \$17,077 and interest payments were \$12,780. As of June 30, 2011, the principal balance outstanding on the mortgage was \$150,382.

Future minimum mortgage payments are as follows:

<u>June 30,</u>	
2012	\$ 31,340
2013	33,970
2014	36,253
2015	98,951
2016	<u>90,911</u>
	<u>\$ 291,425</u>

6. USE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

7. CONCENTRATION OF CREDIT RISK:

Alternatives Living, Inc. maintains cash balances at several financial institutions. These balances were fully insured by the Federal Deposit Insurance Corporation as of June 30, 2011.

8. LOAN FROM OFFICER:

The executive director of the Corporation has made loans to the Corporation. The loans are non-interest bearing and do not have a maturity date. As of June 30, 2011, the balance on the loans outstanding was \$39,375.

9. LINES OF CREDIT:

The Corporation established a revolving line of credit with Capital One Bank with a maximum borrowing amount of \$35,000 for a one year period. As of June 30, 2011, the principal balance outstanding on the line of credit was \$30,293 and the interest rate is 3.25% per year. This line of credit is secured by a certificate of deposit (CD) with Capital One (See Note 2).

ALTERNATIVES LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

9. LINES OF CREDIT (Continued)

The Corporation also established a revolving line of credit with First NBC Bank with a maximum borrowing amount of \$45,000. As of June 30, 2011, the principal balance outstanding on the line of credit was \$40,247. The line of credit is due on demand, or if not on demand July 28, 2012, and has an interest rate is 7.25% per year. This line of credit is secured by the land owned by the Corporation, which is valued at \$45,000.

10. FUTURE LEASE OBLIGATIONS:

During the current year, the Company entered into a lease agreement for a vehicle for the executive director. Lease expense for the year ended June 30, 2011 was \$9,094. The lease expires October 6, 2013. Future payments under this lease are as follows:

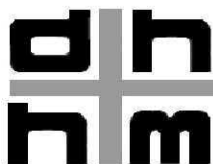
<u>June 30,</u>	
2012	\$ 8,301
2013	8,301
2014	<u>2,767</u>
	<u>\$ 19,369</u>

11. DATE OF MANAGEMENT'S REVIEW:

Subsequent events have been evaluated through April 30, 2013, which is the date the financial statements were available to be issued.

12. PRIOR PERIOD ADJUSTMENT:

A prior period adjustment has been made to correct payroll tax liabilities. The cumulative effect was to reduce beginning net assets by \$44,691.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

April 30, 2013

To the Board of Directors
Alternatives Living, Inc.
New Orleans, Louisiana

We have audited the financial statements of Alternatives Living, Inc. (the "Corporation") as of and for the year ended June 30, 2011, and have issued our report thereon dated April 30, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, 2011-01, 2011-02, 2011-03 and 2011-04.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies, 2011-05, 2011-06, 2011-07 and 2011-08.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alternatives Living, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2011-03 and 2011-05.

We noted certain matters that we reported to management of Alternatives Living, Inc. in a separate letter dated April 30, 2013.

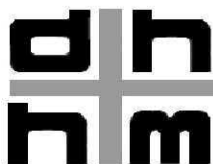
The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Corporation's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Directors and Management of Alternatives Living, Inc., and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

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WILLIAM R. HOGAN, JR., CPA (1920-1996)
JAMES MAHER, JR, C.P.A. (1921-1999)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

April 30, 2013

To the Board of Directors
Alternatives Living, Inc.
New Orleans, Louisiana

Compliance

We have audited Alternatives Living, Inc.'s (the "Corporation") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2011. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on Alternatives Living, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Corporation's compliance with those requirements.

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As described in item 2011-12 in the accompanying schedule of findings and questioned costs, Alternatives Living, Inc. did not comply with requirements regarding allowable costs and activities compliance requirement that is applicable to its PSH Housing Support Team Program and Homeless Prevention Program. Compliance with such requirements is necessary, in our opinion, for Alternatives Living, Inc. to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Alternatives Living, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The results of our audit procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-09, 2011-11, 2011-12 and 2011-13.

Internal Control Over Compliance

Management of Alternatives Living, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-03 and 2011-04 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-09 and 2011-10 to be significant deficiencies.

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Corporation's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Directors and Management of Alternatives Living, Inc., and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

ALTERNATIVES LIVING, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/ Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Housing and Urban Development</u>		
Passed through Louisiana Department of Social Services:		
Passed through UNITY of Greater New Orleans:		
ARRA - Homeless Prevention & Rapid Re-housing*	14.257	\$ 348,929
Passed through Louisiana Department of Health and Hospitals:		
PSH Housing Support Team*	14.218	1,517,999
Homeless Prevention Supportive Housing	14.238	65,038
Permanent Group Home Supportive Housing	14.169	100,519
Transitional Housing	14.235	<u>167,565</u>
TOTAL FEDERAL AWARDS		\$ <u><u>2,200,050</u></u>

* This program is considered a "major" program under OMB Circular A-133.

NOTE: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

ALTERNATIVES LIVING, INC.
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Schedule of Expenditures of Federal Awards of Alternatives Living, Inc. has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. Expenditures are recognized when incurred.

2. DETERMINATION OF TYPE A AND B PROGRAMS:

Federal awards programs are classified as either Type A or Type B programs. For the period ending June 30, 2011, Type A programs consist of the federal programs that expended over \$300,000 and Type B programs are the programs that expended under \$300,000.

ALTERNATIVES LIVING, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

* Material weakness(es) identified? ☒ yes ☐ no

* Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ yes ☐ no

Noncompliance material to financial statements noted? ☒ yes ☐ no

FEDERAL AWARDS:

Internal control over major programs:

* Material weakness(es) identified? ☒ yes ☐ no

* Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ yes ☐ no

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings that are required to be reported in accordance with section 510(a) of Circular A-133: ☒ yes ☐ no

Identification of major programs:

<u>Name of Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>
ARRA – Homeless Prevention	14.257	\$ 348,929
PSH Housing Support Team	14.218	\$ 1,517,999

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

**SECTION II - FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY
ACCEPTED GOVERNMENTAL AUDITING STANDARDS:**

2011-01: CHECKS WRITTEN TO CASH

Condition:

We noted checks written to “cash” that were intended for purchases such as van fuel, food and other supplies needed for social workers. Supporting receipts were not maintained for these purchases.

Criteria:

Checks should be written to a specific vendor and supporting documentation should be properly maintained.

Cause

Food and various other supplies for the social workers of the units of permanent and transitional housing are needed. For convenience, checks are written to cash and given to the social workers to be used for the purchase of the items noted above.

Effect

Checks written to “cash” can be easily negotiated to anyone, in the event a check is lost or stolen. Lack of supporting receipts can result in misuse of cash and material misstatements to the financial statements.

Recommendation

We recommend that management consider using an alternative method by which supplies and food needed for social workers can be purchased. We also recommend that all checks be made payable to specific payees. Additionally, supporting documentation should be maintained for all purchases paid with Company funds.

Management’s Corrective Action Plan

Management will review its policies on cash payments to social workers and determine if an alternate method can be used to supply food and other items needed. In the future, management will require that all checks be made payable to a specific payee. Supporting documentation will be properly maintained.

2011-02 – CREDIT CARDS

Condition

Credit card charges are not reconciled properly to the vendor statements. Transactions are posted to the general ledger monthly using descriptions and amounts included on the credit card statements. Supporting receipts are not maintained.

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

**SECTION II - FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY
ACCEPTED GOVERNMENTAL AUDITING STANDARDS: (Continued)**

2011-02 – CREDIT CARDS (Continued)

Criteria

Credit card charges should be reconciled to supporting receipts that validate the business purpose for the charges incurred.

Cause

There is a lack of controls over credit card charges and there is no credit card policy in place.

Effect

The lack of proper supporting documentation and reconciliation to the monthly statements could result in material misstatements to the financial statements.

Recommendation

We recommend the Company develop procedures to ensure accounts are reconciled properly and timely. We also recommend that management establish a written credit card policy.

Management's Corrective Action Plan

Management will implement written credit card policies and properly reconcile charges incurred to the monthly statements and supporting documentation. The business purpose will be properly documented on the support.

2011-03: PAYROLL TAX LIABILITIES:

Condition

Federal and state income tax withholdings as well as FICA taxes and withholdings were not paid to the Federal and State government in a timely manner. It was further noted that payments are not current through April 2013.

Criteria

Federal laws require payroll tax deposits to be made within 3 days of the date payroll was issued or semi-weekly, depending on the dollar amount. State laws require payroll tax withholdings to be deposited monthly or quarterly depending on the dollar amount.

Cause

The operations of the Company were not properly managed. Budgets and cash flow were not properly monitored.

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

**SECTION II - FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY
ACCEPTED GOVERNMENTAL AUDITING STANDARDS: (Continued)**

2011-03: PAYROLL TAX LIABILITIES: (Continued)

Effect

The Company is not in compliance with Federal and State laws. Failure to pay payroll taxes has resulted in significant penalty and interest charges.

Recommendation

We recommend that outstanding payroll tax liabilities be paid to the appropriate agencies through the current date. We also recommend that management monitor cash flow effectively.

Management's Corrective Action Plan

Management will meet with the Internal Revenue Services and negotiate a plan to pay off the outstanding liabilities. Management will also perform a thorough analysis of operations and cash flows to prevent this situation from occurring in the future.

2011-04: SEGREGATION OF DUTIES

Condition

A lack of proper segregation of duties exists for accounting functions over cash receipts, cash disbursements, payroll and the general ledger.

Criteria

Proper segregation of duties is needed for adequate internal controls over financial reporting and compliance.

Cause

The controller performs all accounting functions for cash receipts, disbursements, payroll, general ledger entries, bank reconciliations, check writing, etc.

Effect

The effect of not having proper segregation of duties results in lack of internal controls, which could result in misappropriation of assets or material misstatements to the financial statements.

Recommendation

We recommend, whenever possible, duties be segregated to improve internal controls.

Management's Corrective Action Plan

Management will review current accounting procedures and consider having other staff members assume roles that will allow for better separation of duties.

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

**SECTION II - FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY
ACCEPTED GOVERNMENTAL AUDITING STANDARDS: (Continued)**

2011-05: FILING OF AUDIT REPORT

Condition

State law requires that the audit report must be completed and submitted to the Louisiana Legislative Auditor within six months of the close of the fiscal year.

Criteria

The Company did not submit the audit report for the year ended June 30, 2011 by the date authorized by the State of Louisiana Legislative Auditor.

Cause

Due to the increase in contract and grant activity, management had difficulties ensuring all transactions were accounted for properly and more time was needed to ensure all transactions were recorded and accounted for.

Effect

The Company is not in compliance with State laws. Additionally, receiving information that is not timely or current can significantly impact management's ability to guide an organization.

Recommendation

We recommend that the Company complete financial information in a timely and accurate manner in order to be in compliance with State filing requirements.

Management's Corrective Action Plan

Management will make efforts to prepare financial information timely and accurately in order to submit the audit report in accordance with State law.

2011-06 – PAYROLL BANK RECONCILIATION

Condition

Supporting documentation could not be produced for an outstanding disbursement in the amount of \$17,000. An adjustment was made during the audit to correct the cash balance as of June 30, 2011.

Criteria

The bank account was not properly reconciled.

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

**SECTION II - FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY
ACCEPTED GOVERNMENTAL AUDITING STANDARDS: (Continued)**

2011-06 – PAYROLL BANK RECONCILIATION (Continued)

Cause

Unsupported reconciling items allowed for cash to be understated by \$17,000.

Effect

Cash was understated by \$17,000.

Recommendation

We recommend that reconciling items be supported by proper documentation and that bank reconciliations are properly prepared and adjusted accordingly on a timely basis.

Management's Corrective Action Plan

Management will review bank reconciliations and determine that they have been prepared correctly. Support for reconciling items will be properly maintained.

2011-07 – PERSONAL EXPENSES

Condition

We noted several personal expenses for items such as travel, sporting events, movie tickets, life insurance premiums and tuition that were charged as expenses to the company. An adjustment was made during the audit to reclassify all such known items as receivable from employee.

Criteria

Charges that are personal in nature should not be recorded as expenses of the company.

Cause

There is no written policy in place for employee personal expenses made through use of company funds.

Effect

Expenses for the company were overstated by \$22,480.

Recommendation

We recommend that policies related to personal expenses be implemented. We also recommend that these types of transactions be recorded as employee receivables and not company expenses.

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

**SECTION II - FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY
ACCEPTED GOVERNMENTAL AUDITING STANDARDS: (Continued)**

2011-07 – PERSONAL EXPENSES (Continued)

Management's Corrective Action Plan

Management will implement a policy for personal expenses. Any future personal expenses will be coded as employee receivable.

2011-08: FINANCIAL STATEMENT PREPARATION

Condition

As is common in small organizations, the Corporation has chosen to engage the auditor to prepare the Corporation's annual financial statements and related disclosures.

Criteria

SAS 115 requires that the above condition be reported as a control deficiency. The standard does not provide exceptions to reporting deficiencies that are mitigated with non-audit services rendered by the auditor or for deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Cause

This condition is intentional by management based upon the Corporation's financial complexity, along with the cost effectiveness of acquiring the ability to prepare the financial statements in accordance with generally accepted accounting principles.

Effect

The financial statements and related disclosures were not prepared by the Corporation.

Recommendation

Because prudent management requires that a potential benefit from an internal control must exceed its cost, it may not be practical to correct this deficiency. In this case, we do not believe that curing this deficiency would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management's Corrective Action Plan

In response to this finding, management believes that it is a prudent use of funds to engage the auditor to prepare the Corporation's annual financial statements and related disclosures. We therefore agree with the auditor's recommendation that no corrective action is necessary,

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS:

2011-03: PAYROLL TAX LIABILITIES

See comment listed under Section II above

2011-04: SEGREGATION OF DUTIES

See comment listed under Section II above

2011-09: FILING OF SINGLE AUDIT SUBMISSION PACKAGE

Condition

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the Company to submit its Single Audit Reporting Package to the federal clearinghouse no later than 9 months after fiscal year-end, unless the Company's federal oversight agency approves an extension of this deadline.

Criteria

The federal reporting deadline for the Company's Single Audit Reporting Package was March 31, 2012; however, the Corporation did not issue its Single Audit Reporting Package until May 2013. There was no extension request made to the U.S. Department of Housing and Urban Development.

Cause

Due to the increase in contract and grant activity, management had difficulties ensuring all transactions were accounted for properly and more time was needed to ensure all transactions were recorded and accounted for.

Effect

The company is not in compliance with Federal single audit submission package requirements. Additionally, future grant revenue could be impacted if the Corporation continues to be out of compliance with Federal law.

Recommendation

We recommend that the Corporation complete financial information in a timely and accurate manner in order to be in compliance with Federal single audit submission package requirements.

Management's Corrective Action Plan

Management will make efforts to prepare financial information timely and accurately in order to submit the audit report in accordance with Federal law.

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS: (Continued)

Finding 2011-10: SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

The Schedule of Expenditures of Federal Awards was prepared using cost reimbursement forms and invoices submitted to the pass-through agencies.

Criteria

Federal award expenditures should be tracked in a manner that can easily support the Schedule of Expenditures of Federal Awards.

Cause

A single general ledger cost center is used for numerous sources of federal funding. This practice makes it difficult to determine the funds expended for each of the separate grants and contracts.

Effect

A single cost center could result in a material misstatement of the Schedule of Expenditures of Federal Awards.

Recommendation

We recommend maintaining separate cost centers for each Federal program or Federal funding source. This practice will also facilitate the reporting requirements for grants and contracts.

Management's Corrective Action Plan

Management will review the current system of recording Federal expenditures and consider creating separate funds within the accounting system to track each program separately.

2011-11: VOIDED CHECKS REIMBURSED

Condition

The Company was reimbursed by the Homeless Prevention Program (CFDA #14.257) for three checks that were voided. These checks were not re-issued; therefore, no expenditure was incurred.

Criteria

Items requested for reimbursement should be properly reconciled.

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS:
(Continued)

2011-11: VOIDED CHECKS REIMBURSED (Continued)

Cause

A request for reimbursement was submitted for expenses that were not incurred.

Effect

The company received an over-reimbursement of \$2,435

Questioned Cost

\$2,435

Recommendation

We recommend that the Corporation take necessary action to repay the pass-through agency for the \$2,435 over-reimbursed.

Management's Corrective Action Plan

Management will take the necessary action to repay the over-reimbursement. In the future, cost reimbursement forms will be properly reconciled.

2011-12: UNPAID PAYROLL TAXES

Condition

We noted that payroll taxes related to social workers under the PSH Housing Support Team Program (CFDA #14.218) and a case manager under the Homeless Prevention Program (CFDA#14.257) were not paid.

Criteria

Federal grant funds were received for the purpose of paying salaries and related Federal and State payroll taxes and with-holdings.

Cause

The operations of the Corporation were not properly managed.

Effect

Federal funding was received, but was not spent on the allowable costs of the program.

ALTERNATIVES LIVING, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS: (Continued)

2011-12: UNPAID PAYROLL TAXES (Continued)

Questioned Costs

Because there are many other employees of the company that did not work on the Federal programs, an assumption was made that any taxes paid were first allocated to these employees and then to the employees that worked on Federal grant programs. As such, estimated questioned costs related to unpaid taxes were \$93,550.

CFDA 14.218 – PSH Housing Support Team	\$ 89,274
CFDA 14.257 – Homeless Prevention Program	<u>4,276</u>
	<u>\$ 93,550</u>

Recommendation

We recommend that outstanding payroll tax liabilities be paid to the appropriate agencies through the current date.

Management's Corrective Action Plan

Management will meet with the Internal Revenue Services and negotiate a plan to pay off the outstanding liabilities. Management will also perform a thorough analysis of operations and cash flows to prevent this situation from occurring in the future.

2011-13: BOOK KEEPING REIMBURSEMENTS

Condition

We noted bookkeeping expenses totaling \$17,000 paid to the Corporation's CFO under the Homeless Prevention Program (CFDA #14.257) in addition to his normal employment compensation. Supporting time sheets approved by the executive director were provided detailing the number of hours the CFO worked specifically in relation to this grant. Based on the pass-through agency's programmatic monitoring visit report for the period November 30, 2010 to November 29, 2011, the additional number of hours spent above the normal work week hours was an item that was questioned. Our procedures did not enable us to substantiate the hours claimed or the reasonableness other than relying on documentation provided by management.

Criteria

It is the CFO's primary job responsibility to maintain the books for all federal programs. Allowable costs should be reasonable and necessary.

Cause

It appears that management misinterpreted the requirements for the grant.

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS: (Continued)

2011-13: BOOK KEEPING REIMBURSEMENTS (Continued)

Effect

The company potentially received over-reimbursements totaling \$17,000.

Questioned Costs

\$17,000

Recommendation

We recommend that management review documentation supporting the reasonableness of the time allocated to bookkeeping expense charged to the Homeless Prevention Program.

Management's Corrective Action Plan

Management will review the job responsibilities of the CFO to determine if bookkeeping for the Homeless Prevention Program is included as part of his normal compensation.

ALTERNATIVES LIVING, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

2010-01: CHECKS WRITTEN TO CASH

Condition and Criteria

We noted several checks written to “cash” that were used for expenses, such as van fuel, supplies, payroll, and other expenses. Checks should be written to the specific payee and all proper documentation should be properly maintained.

Status

This finding is repeated as item 2011-01 in the current year.

2010-02: RECORDING OF TRANSACTIONS

Condition and Criteria

We noted several transactions entered into the Corporation’s accounting system that were recorded incorrectly, and there were also transactions for which there was no supporting documentation to support them.

Status

This comment was included in the management comment letter for the year ended June 30, 2011.

2010-03: FINANCIAL REPORTING AND INTERNAL CONTROLS

Condition and Criteria

Alternatives Living, Inc. (the Corporation) does not have controls in place for proper oversight of its financial reporting and for preparation of financial statements and schedule of expenditures of federal awards. As is common in small organizations, the Corporation has chosen to engage the auditor to prepare the Corporation’s annual financial statements. This condition is intentional by management based upon the Corporation’s financial complexity, along with the cost effectiveness of acquiring the ability to prepare the financial statements in accordance with generally accepted accounting principles.

Status

This finding is repeated as items 2011-08 in the year ended June 30, 2011.

ALTERNATIVES LIVING, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

2010-04: YEAR END ACCRUAL ADJUSTMENTS

Condition and Criteria

The general ledger is generated through accounting software; however, year-end adjustments are required to generate Generally Accepted Accounting Principles (GAAP) financial statements. Management has chosen to engage the auditor to propose certain year end adjusting journal entries. This condition was intentional by management based upon the Corporation's financial complexity, along with the cost effectiveness of taking the time required to prepare the required year-end adjusting journal entries.

Status

This finding is included as part of item 2011-08 in the year ended June 30, 2011.

2010-05: SEGREGATION OF DUTIES:

Condition and Criteria

Due to the limited number of personnel working in the office, there is a lack of proper segregation of duties for accounting functions. For example, there lacks segregation of duties for the accounting functions of preparing and signing checks, preparing deposits, reconciling bank accounts and preparing the general ledger.

Status

This finding is repeated as item 2011-04 in the year ended June 30, 2011.

2010-06: FILING OF AUDIT REPORT

Condition and Criteria

The Corporation did not submit the audit report for the year ended June 30, 2010 by the date authorized by the State of Louisiana Legislative Auditor. An extension was filed to extend the date and the report was still not filed by the extension date.

Status

This finding is repeated as item 2011-05 in the year ended June 30, 2011.

2010-07: PAYROLL TAX LIABILITIES

Condition and Criteria

During the audit, we noted that federal and state income tax withholdings as well as FICA and Medicare taxes and withholding were not being paid to the governments in a timely manner.

Status

This finding is repeated as item 2011-03 in the year ended June 30, 2011.

ALTERNATIVES LIVING, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

2010-08: DISCLAIMER OF OPINION ON AUDIT REPORT

Condition and Criteria

The Corporation did not have an audit performed for the June 30, 2009 fiscal year, and we were unable to perform substantive procedures to verify the beginning balances on the balance sheet. We also could not substantiate \$77,439 of additions to fixed assets during the June 30, 2010 fiscal year.

Status

This finding was resolved during the year ended June 30, 2011.

WILLIAM G. STAMM, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.
GRADY C. LLOYD, III, C.P.A.

ANN H. HEBERT, C.P.A.
HEATHER M. JOVANOVICH, C.P.A.
TERRI L. KITTO, C.P.A.



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A.J. DUPLANTIER, JR., C.P.A. (1919-1985)
FELIX J. HRAPMANN, JR., C.P.A. (1919-1990)
WILLIAM R. HOGAN, JR., C.P.A. (1920-1996)
JAMES MAHER, JR., C.P.A. (1921-1999)

April 30, 2013

To the Board of Directors
Alternatives Living, Inc.
New Orleans, Louisiana

In planning and performing our audit of the financial statements of Alternatives Living, Inc. (the "Company") as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion of the effectiveness of the Company's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The section below summarizes our comments and suggestions regarding these matters. Our separate report on internal controls over financial reporting and on compliance and other matters based on an audit in accordance with *Government Auditing Standards*, dated April 30, 2013, and our independent auditor's report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with *OMB A-133*, dated April 30, 2013, contains our communication of significant deficiencies and material weaknesses in the Company's internal control. This letter does not affect our report dated April 30, 2013, on the financial statements of Alternatives Living, Inc.

2011-14: CASH RECEIPTS

Comment

We noted receipts totaling \$18,653 that were posted twice to revenue. We also noted additional receipts totaling \$51,480 that were coded to incorrect general ledger accounts.

Recommendation

We recommend that revenue and related receivable accounts be reconciled accurately and timely to ensure cash receipts are posted correctly to the proper general ledger account.

Management's Correction Action Plan

In the future, management will reconcile revenue and receivable accounts accurately and timely and adjust coding errors as necessary.

2011-15: CASH DISBURSEMENTS

Comment

We noted disbursements totaling \$32,083 coded to "administrative expense" and disbursements totaling \$1,862 coded to "reimbursed expenses". "Administrative expense" and "reimbursed expense" are not considered to be natural account classifications. We also noted additional disbursements totaling \$33,031 that were coded to incorrect general ledger accounts. Adjustments were made during the audit to correct these posting errors and to reclassify items to their natural account class.

Recommendation

We recommend that expense accounts be reconciled accurately and timely to ensure cash disbursements are posted correctly to the proper general ledger account.

Management's Corrective Action Plan

In the future, management will reconcile expense accounts accurately and timely and adjust coding errors as necessary.

2011-16: VEHICLE LEASE

Comment

During the audit we noted that the Company was making payments on a vehicle lease for the officer. The Company did not have a signed lease agreement for this vehicle on file.

Recommendation

We recommend that the original signed copy of lease agreements be maintained.

Management's Corrective Action Plan

Management will obtain a copy of the signed lease agreement and will maintain original copies of lease agreements in the future.

2011-17: OFFICE RENT UNDER HOUSING PLUS PROGRAM

Comment

During the audit we noted that the Company was allocating a portion of its monthly mortgage payments on the building as office rent under the Housing Plus program grant. The Company provided to us a schedule used to calculate the monthly allocated rent; however, our calculations did not agree to the schedule. UNITY of Greater New Orleans, the pass-through agency, reviewed the schedule and approved it as part of the budget of this program.

Recommendation

This program ended in November 2011; however, we recommend that in the future management review any similar calculations for grant programs to ensure the correct amounts will be allocated to the applicable program.

Management's Corrective Action Plan

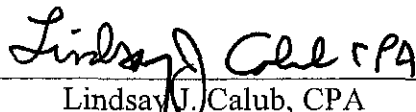
Management will review calculations in the future to ensure accurate amounts are allocated to applicable federal programs.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience or assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the board of directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP



Lindsay J. Calub, CPA
Partner

LJC/ckr